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DEPARTMENT FOR NEA/IPA, NSC FOR SHAPIRO/KUMAR

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SUBJECT: GOI CONSIDERS SEPTEMBER 2 JEC MEETING CONSTRUCTIVE
AND FRIENDLY

¶1. (U) SUMMARY: The September 2 Israeli-Palestinian Joint Economic Committee (JEC) meeting marks the first ministerial-level meeting between the Netanyahu government and the PA and the first time in recent memory that the JEC has been chaired at the ministerial level. Vice PM and Minister for Regional Cooperation Silvan Shalom and PA Economy Minister Bassem Khoury co-chaired the three-hour Jerusalem meeting to enhance economic cooperation. The atmosphere was described by representatives of the Regional Cooperation Ministry (MRC), Foreign Ministry (MFA), Ministry of Finance (MOF) and Coordinator for Government Activities in the Territories (COGAT) as constructive, friendly, productive, and non-political. Issues discussed included frequency allocation for Wataniya, dual-use imports, agriculture, tourism, Allenby and other commercial crossings, investment, visas/entry stamps, Israeli hospitals, and Gaza. Subcommittees were formed to follow-up on issues related to tourism, industry, agriculture and health. The GOI praised the PA for improving internal security, enabling GOI actions to relax checkpoints and thus allow the PA to demonstrate to West bank Palestinians, before the upcoming PA elections, that improvements are permanent and reliable. Participants agreed that JEC meetings will take place every six weeks until the end of the year. END SUMMARY.

¶2. (SBU) INVESTMENT. Accordion to MFA's Yael Ravia-Zadok, the PA expects five to seven percent growth in the West Bank in 2009, and investment is up 600 percent over the previous year as a result of the Bethlehem and Nablus conferences, coupled with the effect of the global financial crisis on Gulf investor strategies. The GOI agreed that investment is key to continued economic success. The PA requested "permanent" multiple-entry visas for Jordanian investors and promised to forward examples of relevant cases. The GOI noted that it had already issued such a visa to Jenin-investor Khoury, and would consider other cases. When the PA raised the issue of 'West Bank Only' stamps placed in passports at Allenby and Ben Gurion and the potential for adverse effects on business and investment from abroad, the GOI responded that they are aware of the issue, that the Ministry of Interior is working on addressing these concerns, and that it will be raised in the next meeting of the GOI Interministerial Committee on Improving the Situation of Palestinians of Judea and Samaria.

¶3. (SBU) WATANIYA. The GOI learned that 3.8 MHz bandwidth would allow Wataniya to offer SMS and voice service only, while 4.8 MHz would allow Wataniya to offer commercially-viable 3rd-generation wireless service. The PA explained that if 4.8 MHz is not made available by September 15th, Wataniya investors would withdraw their \$140 million investment, thereby damaging the PA's efforts to market the West Bank as an investment destination. MRC representative Yishay Sorek and MFA's representative Yael Ravia-Zadok said that the GOI takes these concerns very seriously and noted that Jawwal needs to return the 1 MHz temporary allotment so

that it can be reassigned to Wataniya. Discussions are ongoing within the Ministry of Defense (MOD), but no clear decision has been taken.

¶4. (SBU) INDUSTRY. A subcommittee was established to facilitate frequent and direct dialogue on issues related to the proposed internationally-backed industrial zones. Further, the PA expressed interest in improving its industrial infrastructure. Updated technology would improve competitiveness of PA industries, MFA's Yael Ravia-Zadok reported, and this would require new equipment to be allowed through the crossings.

¶5. (SBU) DUAL-USE IMPORTS. There is no dramatic change in the GOI's approach to potentially dual-use products, MRC representative Yishay Sorek explained. This is a MOD issue and there is a procedure in place. Referring to the National Bottling Company (Coke) case as an example, Sorek said the GOI asked why PA industry could not use the same materials as their Israeli counterparts, materials that would not be problematic. MFA's Yael Ravia-Zadok reported that the PA proposed coordinated security to overcome this issue, but the GOI rejected this proposal, saying coordination needed to be developed step-by-step, and this was too far and fast a development. On September 3, EconCouns reiterated to MOD's Oded Herman the need to offer mitigation measures as a normal part of the GOI dual-use review committee's work. Herman said the committee would be discussing the general issue of mitigation at its next meeting (not yet scheduled), but informal polling of its members showed little support for using the Wassenaar Agreement as a model for Israeli-Palestinian interaction on dual-use goods.

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¶6. (SBU) ALLENBY BRIDGE AND COMMERCIAL CROSSINGS. The GOI views possible PA presence at the Allenby crossing as a political issue that should be addressed in meetings between PM Netanyahu and Abu Mazen, not in the JEC, MRC representative Yishay Sorek explained. MFA's Yael Ravia-Zadok added that the GOI is not committed to respond to this request, but is willing to talk about Allenby in the context of other commercial crossings. The GOI was surprised and pleased by the PA's report that extended hours at Allenby had already netted savings of \$50 to \$100 million in hotel bills. When the PA stressed the need for strategic discussion about the crossings, MFA's Yael Ravia-Zadok said, the GOI responded that it had already sent a letter expressing willingness to hold such discussions, provided they do not jeopardize future discussions on permanent status. Infrastructure on the PA side at crossings such as Kalandia will be addressed in the next JEC meeting.

¶7. (SBU) AGRICULTURE (meat, milk, technology/infrastructure, and access). According to MFA's Yael Ravia-Zadok, the PA requested improved access to the Jordan Valley for agriculture. Further, the PA asked to be allowed to develop agriculture in Area C by building greenhouses and public buildings. The PA requested the possibility of importing larger quantities of dairy and meat (veal, lamb) products into the West Bank, beyond current quotas, to counteract upward price pressures caused by limited supplies during Ramadan. The GOI is concerned about re-importation of these cheaper products into Israel. A subcommittee, including representatives from the ministries of Health, Agriculture and Customs, was established to discuss this request.

¶8. (SBU) TOURISM. Both sides emphasized that tourism (e.g., Bethlehem) is a mutual interest, and established a sub-committee to study this issue. The PA asked that Israeli Arabs to be allowed into the West Bank, including to Ramallah (which cannot be done legally at present), and, stressing the important role that East Jerusalem plays in the West Bank economy, underscored the need for improved access.

¶9. (SBU) HOSPITALS. The GOI noted that Palestinian use of Israeli hospitals is declining. Learning from the PA that lower costs in Jordan are attracting Palestinian patients, the JEC agreed to form a health subcommittee, co-chaired by the MOF's Michal Finkelstein and Hatem Yousef, to try to develop packages of services at reduced rates.

¶10. (SBU) GAZA. According to MFA's Yael Ravia-Zadok, the PA asked the GOI to reconsider its policy on Gaza, saying that the current policy strengthens Hamas and does not help bring home abducted soldier Gilad Shalit. They requested that a greater variety of products be shipped to Gaza via the official crossings, that more cash be shipped to non-Hamas banks in Gaza. Regarding cash, the GOI responded that better information exchange is key to this process (septel), but remained noncommittal.

¶11. (SBU) Comment: The higher-level JEC ushers in improved PA-GOI communication on problematic issues, but positive atmospherics aside, little of substance was achieved. Some hope hinges on the PM's Interministerial Committee on Improving the Situation of Palestinians of Judea and Samaria, and its ability to take meaningful action. The Interministerial Committee, chaired by Deputy PM Silvan Shalom, is likely to meet within the next two weeks and the MRC official responsible for setting the agenda has once again solicited USG input.

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